

TOPICS

COMPLETED

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ORIGINAL

PUBLISHED BY OVERSEAS PRIVATE INVESTMENT CORPORATION



An obviously pleased President Reagan displays \$50 million check returned to U.S. Treasury by OPIC. The President promptly gave the check to Treasury Secretary Donald T. Regan for appropriate action.

OPIC RETURNS \$50 MILLION TO U.S. TREASURY

At a special White House ceremony on September 20, OPIC presented President Ronald Reagan with a \$50 million "check" payable to the U.S. Treasury.

In making the presentation, OPIC President Craig A. Nalen said the unprecedented return of funds to the American taxpayer was due in large part to U.S. business response to the President's call for increased private sector support for Third World development.

"I am pleased to be able to present to you this \$50 million check from our record profits this year," Mr. Nalen said. "This is an example, of how the American private sector and efficient government programs can work together to benefit not only the friendly developing nations but the U.S. economy and taxpayer as well."

"You have consistently emphasized the need for greater private sector involvement in the development process, and I want you to know that we at OPIC heard you. I can also report that the U.S. business community heard you and this is why we can return this money to the U.S. taxpayer."

In accepting the check, President Reagan said that OPIC's return of funds demonstrates the positive results of a working partnership between government and the private sector.

"This Administration believes that a strong working partnership between government and the private sector can effectively infuse new strength into the economies of the friendly developing nations," said Reagan. "I

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OPIC INTENSIFIES SMALL BUSINESS EFFORT

During fiscal 1982, OPIC successfully intensified its efforts to introduce small businesses to investment opportunities in the developing world, Craig Nalen told the House Subcommittee on Export Opportunities and Special Small Business Problems of the House Committee on Small Business. The hearing was one of a series on federal assistance to small business, which will be used to compile a guide for the small businessman.

"Small businesses already play an important part in OPIC's activities," said Nalen. "Among OPIC's active insurance clients, the number of small businesses has risen to almost 70 percent of the total number of insured investors. Among our finance clients, small businesses have been involved in 64 percent of the total number of projects."

In describing the Agency's efforts to attract small business for investment in the developing nations, Nalen reported the following achievements:

- As of July 31st, 29 percent of OPIC's fiscal year 1982 insurance projects substantially involved small businesses and cooperatives. The aggregate insurance coverage for these investors is approximately \$100 million.

- Of the 655 insureds comprising OPIC's total insurance program, 450 or 68.7 percent are small businesses or cooperatives.

- OPIC's Direct Investment Fund (DIF) loan program is reserved exclusively for small business. Through July 31st, OPIC had made finance commitments of \$11.3 million for ten

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Small Business

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smaller businesses for projects in eight developing countries.

- OPIC has introduced a reduced insurance registration fee for small business and offers coverage for "on-demand" letters of credit that are needed by contractors and, particularly, subcontractors, which are often small businesses.

- Since 1978 OPIC has expended well over \$200,000 to offset some of the unusual expenditures a small business encounters in starting up or expanding an operation overseas, including legal and accounting services.

- Thus far during fiscal 1982, OPIC has committed to fund 23 reconnaissance and feasibility studies, 20 of which were for small businesses.

- In 1982, four investment missions, which provide small companies with host country contacts, took 60 firms to four developing countries. Forty-three of the participating businesses were small businesses.

- The first OPIC telemission on April 15, 1982, linked Cairo, Egypt with six U.S. cities. Of almost 800 participants, an estimated 75 percent were small businessmen.

- During the past month, 262 calls were received through OPIC's toll-free telephone number, with 240 or 91 percent coming from small businesses.

- OPIC has established an Executive Marketing Council of retired businessmen to advise and assist small businesses interested in investing in the developing nations.

- OPIC is developing a data bank that matches potential investors, particularly small businesses, with suitable projects in developing countries.

"We believe that small businesses are essential to the success of OPIC policy, and we have put the latest technology and innovative marketing techniques to use to reach that audi-



President Craig A. Nalen presents Congressman Andrew Ireland of Florida with a copy of OPIC's first advertisement featuring small business investment opportunities in the Caribbean.

ence, which perhaps stands to gain most from the use of OPIC's programs," said Nalen.

"With continued effort, we believe we can assist even more small busi-

nesses in overseas investment that is financially rewarding for them, developmentally beneficial to host governments and economically advantageous to the United States."

\$50 Million

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think OPIC's success in facilitating this type of partnership proves the benefit of this policy."

The President also noted that through government programs such as OPIC's, the United States could compete effectively in the growing markets of the Third World, which he termed a critical factor in ensuring the future growth of our own economy and its capacity to create new jobs at home.

Mr. Nalen estimated that by the close of the fiscal year, OPIC had issued some \$4.0 billion in political risk insurance over the past 15 months, a record volume nearly equal to the previous five years combined. At the end of FY 1981, OPIC reported a net income of \$76.2 million, and estimates for 1982 indicate a record net in excess of \$82 million.

Return of the \$50 million represented nearly half of the \$106.2 million of Congressional appropriations received by OPIC when it began operations.

MISSION TO INDIA

In cooperation with the State and Commerce Departments, OPIC will sponsor an investment mission to India from February 22 to March 5, 1983. Present plans include a meeting with Prime Minister Indira Gandhi and Cabinet members concerned with foreign investment.

Areas of opportunity to be explored include: telecommunications, petroleum-related industries; agribusiness; inland transportation; medical products; and automobile component and industrial machinery manufacture.

Further details are available from: Mary V. Cunningham, OPIC, Washington, D.C. 20527. Telephone: (202) 653-2924 or 800-424-6742 (toll-free). Telex: OPIC WSH 89-2310

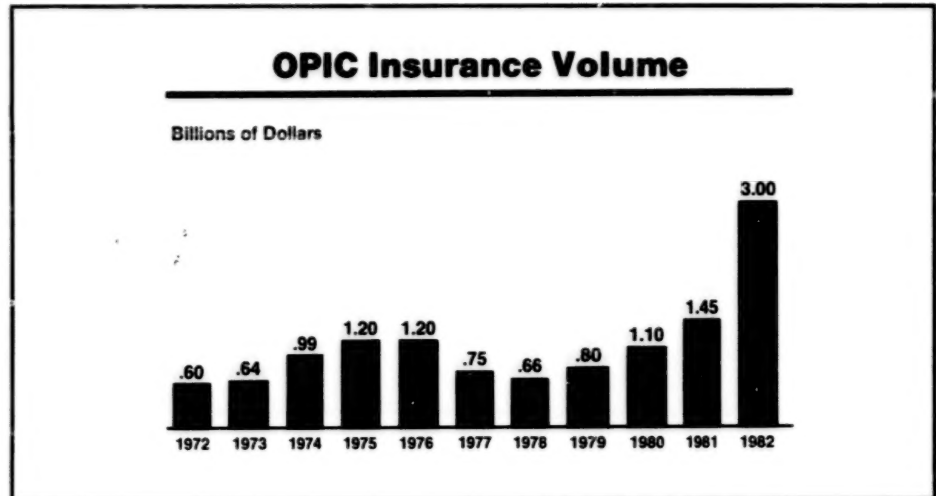
RECORD VOLUME FOR 1982

OPIC has reported an estimated record insurance volume of more than \$3 billion for fiscal 1982, more than double the previous high of \$1.42 billion written in fiscal 1981

Craig Nalen, president of OPIC, said the surge in insurance activity reflected growing interest by American investors in the use of political risk insurance and a higher level of investment by U.S. businesses in the growing Third World markets.

"We are hopeful that this is a signal that the U.S. business community is determined to regain its leadership in the international marketplace," Mr. Nalen said.

Estimated gross revenues for the year ending September 30, 1982 were \$98 million, an increase of 13 percent over the \$86.8 million for the previous year. Net earnings, after provision for operating expenses and claims payments, were an estimated \$82.5 million, up eight percent from 1981. As of September 30, funds available for claims payments,



after return of \$50 million to the U.S. Treasury, were \$807 million.

Other gains during the period, included: a 33 percent increase in the number of projects insured and financed; an increase of over 28 percent in registrations with 434 received during the period; and a 50 percent increase in the settlement of insurance claims for the inconvertibility of local currency and expropriation paid by OPIC, totalling \$12.7 million.

During the year OPIC obtained approximately \$10.1 million through recoveries from host governments and reimbursements from reinsurers, and additional recoveries are expected.

OPIC and its insured investors have also filed international arbitration claims of approximately \$40 million against the government of Iran for expropriations of American businesses by the Khoemeni Government.

WANT TO STAY ON TOPICS MAILING LIST?

In line with the Administration's drive to reduce Government spending, OPIC is analyzing the production and distribution costs of all its publications. One step in the process will be the updating and reorganization of the TOPICS mailing list which has grown rapidly in the past two years.

To help us accomplish this, we request that you clip the information form on this page, fill out and return it to us no later than January 20, 1983. If your reply has not been received by that date, your name will be removed from the list. Thank you for your cooperation.

Please address replies to:
Office of Public Affairs
Overseas Private Investment Corporation
1129 20th Street, N. W.
Washington, D. C. 20527



Please continue to send TOPICS to:

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BEST DOCUMENT AVAILABLE



Caribbean Focus:

As a special service to members of the business community interested in the Caribbean, OPIC and the Agency for International Development's Bureau for Private Enterprise (PRE) have assembled a comprehensive information kit, "Caribbean Investment Opportunities."

The kit, available for \$25.00, includes complete profiles on 14 Caribbean countries including information on incentives offered to foreign investors, data on available services, labor supply, government policies, financial institutions and contact points in key government ministries.

It also contains details on OPIC and AID programs and services for U.S. investors, covering such subjects as financing, political risk insurance, feasibility studies, a listing of information sources, and information on upcoming investment missions to Jamaica and Haiti.

OPIC and AID have long been active in the Caribbean. In fiscal 1981, OPIC issued \$308 million in insurance and committed \$55.3 million in financing for 30 projects in 11 Caribbean Basin countries. These projects represent nearly \$460 million in new investment and by the fifth year will employ some 6,200 workers.

AID's assistance programs to Caribbean countries, implemented in cooperation with host country governments, exceeded \$180 million in 1981. AID also has funded a three-year program for project development and assistance in the Caribbean area.

Kits may be obtained by sending a check for \$25.00 to Caribbean Investment Opportunities, 1129 20th Street, N.W., Washington, D.C. 20527.

CONTRACTORS IN EGYPT, LEBANON

A special investment mission sponsored jointly by OPIC and the Associated General Contractors of America visited Egypt in late October, and then went on to Beirut, Lebanon, to explore ways in which the U.S. construction industry can help in rebuilding the war-torn city. The Lebanon visit was made at the request of the White House, and was co-chaired by OPIC President Craig Nalen and Winton M. Blount, chairman of the Blount Construction Company, Birmingham, Alabama.

The Egypt mission was mounted in response to requests from officials of that country and its purpose was to provide leading U.S. contractors with detailed information on specific projects. During the course of the visit, participants met with government ministers and members of Egypt's construction industry. James P. Thompson, Jr., Director of International Construction of the AGC served as mission chairman.

Participants included Robert Elliott, Boring and Tunneling Co. of America, Inc., Houston, Texas, Douglas Kowert, Pepper Construction Co. In-

ternational, Schaumburg, Illinois; Paul N. Howard, Jr., Paul N. Howard Co., Greensboro, North Carolina; Cornell E. Collins, M. M. Sundt International, Tucson, Arizona; W. C. Burns, Morrison-Knudsen Company, Boise, Idaho; Richard M. Pearl, Brown & Root, Houston, Texas; Frederick T. Brandt, J. A. Jones Construction Co., Charlotte, North Carolina; Neil W. Krumwiede, Grove Overseas Corporation, Vienna, Virginia.

Also: Jim H. McLain, Blount International, Ltd., Montgomery, Alabama; Frank M. Warren, Jr., Raymond International Builders, Houston, Texas; Donald C. Glover, Dillingham Construction-International, Pleasanton, California; J. Frank Brennan, Dames & Moore, Los Angeles, California; Doyle D. Weigner, Green Construction Co., Des Moines, Iowa; John S. Withers, H. B. Zachry Co., San Antonio, Texas; S. Kinnear Smith, Ransome Co., Emeryville, California; Warren Pettingell, Perini Corporation, Framingham, Massachusetts; David M. Fredericks, Touche Ross, N.Y., N.Y.; and Samuel M. Hoskinson, Bechtel Group, San Francisco, California.



Finance officer Brian Treadwell and Frank Wilson of the insurance department accompanied U.S. contractors on Egypt investment mission.

Thailand Attracts U.S. Companies

Five U.S. companies recently reached agreements on investment in Thailand, and an additional five projects are expected to materialize in the near future, according to OPIC President Craig A. Nalen. Official approval for the projects by the Government of Thailand is expected shortly.

The announcement was made in Bangkok at the conclusion of an OPIC-sponsored investment mission during which executives representing 15 corporations met with government officials, U.S. Embassy staff and local businessmen to identify potential investment opportunities in the country.

"The decision of the five companies to proceed with investments is

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OPIC President Craig A. Nalen thanks Thailand and U.S. Embassy officers for help in organizing the successful investment mission of July 10-17, 1982. Dr. Thaworn Poruprapha (seated, right center), is President of the Association of Thai Industries and Chairman of the Joint Standing Committee on Banking and Industry, who hosted a dinner for the group. At right is Robert Brungart, Economic Counselor, U.S. Embassy, and at far left is L. Ebersole Gaines, Executive Vice President of OPIC.

Fishing Projects In Ghana

Two OPIC loan guaranties amounting to \$2,480,000 will provide for expanded tuna fishing and canning operations in Ghana. The loan guaranties will permit the Ghana Tuna Fishing Development Company and the Pioneer Tuna Fishing Company, Ltd., both Ghanaian companies, to acquire six tuna vessels from Japanese and Korean companies which have been operating the fishing fleet for several years.

The U.S. sponsor in the joint ventures is Star Kist Foods, Inc. which has utilized OPIC services over the past nine years in the development of the projects. The loans guaranteed by OPIC were provided by Security Pacific National Bank of Los Angeles.

The projects provide employment and training for more than 100 Ghanaians, and over the years have been instrumental in developing the country's fishing industry, one of its most important resources. Foreign exchange earnings in excess of \$2 mil-

lion are anticipated during the next five years of operation. Finalization of the acquisitions also contributes to the country's development goals by

increasing local ownership of the industry and increasing the local availability of fish in a food-deficient country.



At the signing of OPIC loan guaranty agreements for expansion of tuna fishing projects in Ghana were: (left to right, seated) James D. Banks, OPIC Senior Investment Officer; David A. Hammond, Director, Pioneer Tuna Fishing Co., Ltd. of Ghana; Ian R. de Leschery, Vice President, Security Pacific National Bank. Standing left to right are: John E. Korth, Secretary-Treasurer, Star-Kist Foods, Inc.; William McLoughlin, Assistant to the Vice President, Star-Kist; Leo H. Phillips, Jr., Assistant General Counsel, OPIC; Nancy Even, Vice President and Counsel, Security Pacific; Nasser Gramian, Assistant Vice President, Security Pacific.

Thailand Mission

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a direct result of careful planning and good faith negotiation between representatives of the U.S. companies and Thai Government officials and businessmen," Mr. Nalen said.

"The highly positive results of the mission serve to underscore our belief that Thailand represents an excellent opportunity for the U.S. investor. Realization of these opportunities which will produce mutual benefits for the United States and Thailand will strengthen the long-standing ties between our nations."

The delegation to Thailand was a direct result of Prime Minister Prem's visit to Washington last October at which time he discussed Thailand's interest in increased U.S. investment with President Reagan.

Nalen further stated that the OPIC mission followed the visit of a delegation led by Assistant Administrator of A.I.D. Elise DuPont's Private Enterprise Bureau. "The A.I.D. reconnaissance trip was very helpful in identifying business leads for U.S. investors, and we plan to continue to work closely with Mrs. DuPont's people in the future," he said.

Mission co-chairman, Herbert L. Lucas, Jr., former president of Carnation International, added, "Three things have impressed me during this mission. First, the investment climate here makes Thailand one of the most attractive investment areas in the developing world. Second, I continue to be impressed by the genuine warmth and graciousness of our welcome by everyone with whom we have worked in Bangkok. And third, I am enthusiastic about the large number of specific investment opportunities that have been identified and developed in such a short period of time."

The five firm investment projects announced are:

Continental Conveyor and Equipment Co., a subsidiary of the B. F.



Participants in Thailand mission study data on potential investment opportunities. From left are: Edward Whalen, Vice President for Asia/Pacific, International Telephone and Telegraph Corp., which plans to double its investment in communications; Jack Barger, President of Barco International, which plans a meat processing and packaging project; Gunnar Johnson, Director, International Continental Conveyor Equipment Co., which will establish a plant for the manufacture of conveyor equipment; Lee Barnes, Commercial Attache, U.S. Embassy; and OPIC President Craig Nalen.

Goodrich Company, will pursue a joint venture with a Thai engineering firm to manufacture conveyor components which could lead to an investment of over \$3 million.

Castle and Cooke plans a one million dollar expansion of its Dole operations in Hua Hin. Currently almost all of Dole's pineapple products are exported, and this planned additional investment would upgrade and expand the number of products for export.

Barco International, a subsidiary of the Barger Group, Inc., an agribusiness firm from Ohio, plans to join with a local partner in a three to four million dollar project involving construction and operation of a swine slaughtering facility in Thailand.

Hawaiian Holiday Macadamia Nut Co. announced plans to establish three new projects in Thailand involving an anticipated investment of up to \$9 million dollars. One project is a joint venture with two local companies to produce chocolate and process candy and confections for the domestic market and for export. The second, involving the same two companies, will introduce a pioneer industry to Thailand, namely the planting of macadamia nut trees, and

eventual production for export. The third project is a joint venture with a local company to process locally-grown cashew nuts for export to the U.S. and throughout the Far East.

ITT Thailand is planning an expansion that would more than double the company's existing investment providing Thailand with the most advanced telecommunications systems, products and technology available in the world. ITT also plans to introduce a wide range of industrial and consumer products.

The additional projects nearing completion involve investments in agriculture, animal feeds, potash mining, electronic equipment, cosmetics and a number of construction projects.

In addition to the mission participants, OPIC has on hand 13 pending applications for new investment in Thailand totaling more than \$21 million.

"We are pleased with the results of this mission," Mr. Nalen said. "It's a good start but the important thing to note is that it's just the beginning. I expect to see a significantly accelerated rate of U.S. investment in Thailand over the next several years."

EGYPT MISSION SUCCESSFUL

Potential projects representing more than \$15 million in investments and the creation of nearly 1,200 Egyptian jobs were announced at the close of the week-long Egypt mission by William A. Delphos, OPIC Vice President for Operations and mission co-chairman.

"This mission has been an unqualified success," Mr. Delphos announced at a press conference in Cairo. The results achieved are a direct result of careful planning, practical negotiation and intelligent compromise between representatives from nine American companies, Egyptian Government officials and businessmen."

William E. Brock, U.S. Trade Representative, who met the group in Cairo, praised the OPIC effort, saying: "It's time we stopped studying things to death and started doing something. I am proud of what OPIC is doing and of the cooperation we have enjoyed with other U.S. Government agencies and the private sector in Egypt."

Mission co-chairman, Sewall D. Andrews, a retired Corporate Vice President for International Operations at General Mills, added: "Egypt has a rich history, but this group of American businessmen has found that Egypt is also rich in business opportunities. A large number of American businesses are finding this out. In fact, OPIC now has before it upwards of \$900 million in investment applications for Egypt of which \$95 million is expected to materialize in the near future."

Among the investment and project agreements reached were:

Land O'Lakes of Minnesota intends to establish a dairy plant in a joint venture with the Ismailia Company for animal development.

Hawaiian Holiday Macadamia Nut Company of Hawaii will establish a pilot farm of more than 200 nut trees exported to Egypt from Hawaii.

World Industries Inc. of Florida has reached an agreement with several Egyptian companies to manufacture polyester plastic bottles and plastic caps for the local beverage industry.

Chemtex Inc. of New York will establish a joint venture agreement with Egyptian and Syrian businessmen to manufacture and sell acrylic paint.

East-West Group, Ltd. of New Jersey has signed a letter of understanding with Arab Engineering Projects (AEP) for a fruit and vegetable production project.

Kolpak Industries, Inc. of Tennessee is concluding an agreement with an Egyptian company to establish a plant for the design, manufacture and sale of commercial refrigeration equipment.

Domex Administrative Services of Pennsylvania will provide a technical assistance package which would encompass over 700 man-weeks of training to an Egyptian company involved in the manufacture of industrial equipment.

KNBS, Inc. of California intends to establish a joint venture to build a processing plant for vegetable products.

OPIC recently concluded a survey agreement with Tenneco to provide up to \$50 thousand for a feasibility study to evaluate a transportation system along the Nile between the Aswan Dam and Kerma in Northern Sudan.

In addition, James P. Thompson, Jr., Director of International Construction of the Associated General Contractors of America, announced that in late October a group of U.S. executives will visit Egypt to explore construction opportunities.

"Plans have been made to meet with Ministry of Housing, Reconstruction and Reclamation officials," Mr. Thompson said. "This mission will be in cooperation with OPIC and also will include meetings with local Egyptian contractors, contracting organizations, officials of AID, U.S. Department of Defense, and the U.S. Embassy."

The OPIC investment mission was preceded by "Telemission," a two-hour meeting conducted via satellite last April which enabled Egyptian and U.S. business executives to discuss investment opportunities in Egypt. The satellite meeting linked Cairo and six U.S. cities, reaching hundreds of potential investors.



William A. Delphos, OPIC Vice President for Operations and co-chairman of the Egypt investment mission, congratulates Carl Bazarian of the East-West Group which signed a letter of understanding with Arab Engineering Projects to pursue implementation of a fruit and vegetable enterprise. Ambassador William E. Brock, U.S. Trade Representative, is at left.

OPIC AND THE PRIVATE INSURANCE INDUSTRY

OPIC's charter directs it to administer its investment insurance programs in accordance with principles of sound risk management. One of the ways in which the Corporation has responded to that mandate has been to spread its risk through two reinsurance arrangements.

In 1971, OPIC concluded an agreement with Lloyd's of London for the reinsurance of \$250 million of the OPIC expropriation portfolio. "This marks the first time in Lloyd's long history that it has reinsured the policies of a U.S. Government Corporation and is our first step in establishing a reinsurance capacity for political risk insurance among private insurers worldwide," said Bradford Mills, OPIC's first president.

In February 1975, OPIC announced formation of the Overseas Investment Insurance Group (OIIG), a consortium of insurance companies, in response to congressional directives.

The Group, a pioneer organization, began a unique partnership designed to encourage the participation of the private insurance industry in the field of political risk insurance, an area traditionally administered by the Government. The new organization's objective was to function as a combined underwriting and reinsurance pool providing for the issue of new insurance coverages against expropriation and inconvertibility, and for sharing a portion of the risks of OPIC's existing portfolio. Under the original constitution, OPIC acted as a member and as a reinsurer for the Group's excess losses.

The private insurer members subscribed a total of \$6,550,000 of a \$40 million per country and an \$80 million worldwide first-loss pool with OPIC taking up the balance. Since the private sector members had little or no experience in the political risk area, OPIC acted as manager of the Group.



Peter Clark (left), OPIC liaison officer with private insurance companies, discusses future plans with Felton McL. Johnston, Vice President for insurance.

At the outset, the Group was made up of 13 members including Lloyd's plus OPIC, and by 1977, the number of private participants had increased to 21. But 1977 also brought new OPIC legislation which reflected a drastic shift in Congressional thinking about the private sector alliance. Specifically, Congress felt that because of the industry's traditional caution about assuming high risk projects, the private sector companies were inhibiting OPIC's development objectives and voted to dissolve the Group.

Despite this change, it had been demonstrated that the Government and the private sector worked well together and this opened new possibilities for the future. For example, several private companies have developed political risk programs, thus providing the business sector with a broader range of options, and OPIC has continued to work closely with many of the former Group members.

The most important result, however, was the formation in 1977 of the Overseas Investment Reinsurance Group (OIRG). As the successor to

the OIIG, the OIRG's principal purpose has been to provide private reinsurance for OPIC's expropriation and inconvertibility portfolios. On one hand, this reinsurance arrangement enabled OPIC to manage its risk exposure to provide for the underwriting of an increasing volume of business. On the other, the working relationship permits participating companies to gain practical familiarity with political risk underwriting. With minimal risk, these participants receive valuable insights into political risk portfolio management, rating and claims settlement, all of which will be valuable should they eventually decide to offer such coverage themselves. In fact, three of the Group's participants now operate political risk programs for their own account.

Membership in the OIRG initially included 14 private reinsurers and OPIC, each of whom subscribed to a three-year commitment commencing December 1, 1977. During the syndicate years December 1, 1978-November 30, 1980, three additional private reinsurers joined OIRG, and in 1980

another three-year treaty was negotiated for the 1980-83 period. Since 1980, private participation increased to a total of 19 private U.S. and foreign insurance companies that now collectively reinsure more than 20% of OPIC's expropriation and inconvertibility portfolios.

Membership in the OIRG is open to all insurers, both domestic and foreign, who are permitted by law to provide the reinsurance described in the Group's charter and who meet appropriate financial requirements. Membership is registered on a percentage participation basis for all purposes, with each member's percentage participation determining its respective share in reinsurance placed, in premiums received, and in losses and recoveries. The Group has annual pool liability limits of \$40 million per country and \$80 million worldwide, subject to individual project stop-loss limits of \$2 million per project for inconvertibility and \$10 million per project for expropriation. Members receive the estimated annual premium at the beginning of the year, subject to year-end adjustments to reflect actual experience.

The OIRG is governed by a 12-member board composed of representatives of six private insurers elected annually and six OPIC representatives, with the Chairman elected by the entire membership from among the private members.

The loss experience of the OIRG has been very favorable over the years. While claims arising from the Iranian situation have affected the Group's profitability during the past year, it is estimated that the bulk of these have been received, and that the Group will maintain its positive record with respect to losses.

In line with its statutory obligation calling for the encouragement of a viable, commercial political risk insurance business, OPIC is exploring new ways to broaden private sector participation. Obviously, the existing

reinsurance arrangements are important in this regard, but they are not the only tools OPIC has at its disposal to encourage this development. Another possibility currently under study is OPIC's entry into various "co-insurance" relationships with private political risk insurers on projects that may be too large for OPIC to handle entirely on its own. Also, in the re-

insurance area, OPIC will continue to try to interest the private market in reinsuring at least a portion of its war portfolio or to otherwise become involved in underwriting this area of political risk. OPIC also will place increasing emphasis on its relations with insurance brokers as a direct means for reaching a larger segment of the small business community.

FEASIBILITY PROGRAM ACCELERATES

A key element in OPIC's strategic planning for fiscal 1983 will be the broadened feasibility study program designed to provide more effective service to smaller businesses. Under the direction of Burton L. Bostwick, applications will be handled on a quick turn-around basis and accelerated handling of reimbursement requests after approval of a study report and the submission of documented expenses.

The feasibility study service was inaugurated in 1962 by the Agency for International Development which administered the political risk insurance and finance programs prior to the activation of OPIC. During the

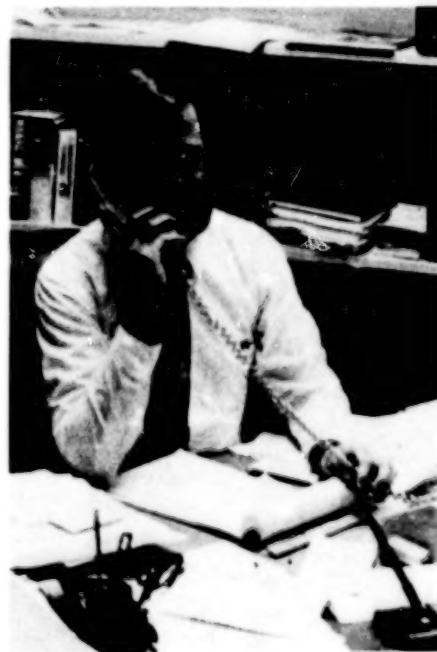
nine years from 1962 to 1971, the agency processed an average of 39 studies each year, which resulted in more than \$106 million in new investment.

When OPIC began operations in January 1971, the investment incentive programs were transferred from AID. Congress had given the newly-formed organization two major objectives: first, to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of less developed friendly countries and areas; and second, to operate the investment incentive programs on a self-sustaining basis.

Faced with the necessity for building a stronger position in a relatively short time, management concentrated on expanding the political risk insurance portfolio to generate new revenues and build up the Corporation's reserves. At the same time, special efforts were mounted to broaden and strengthen the finance program as an effective tool for supporting projects involving smaller businesses.

The effort to inform and educate the U.S. small business community about opportunities in the developing countries placed heavy demands on OPIC's limited staff. One result was a shift in operating priorities, and emphasis on the feasibility study program was reduced.

From 1972 through 1981, the number of processed study projects



Burton L. Bostwick administers OPIC's feasibility study program.

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OPIC Programs for Uruguay

At the close of a meeting with Uruguayan Finance Minister Valentin Arismendi, OPIC president Craig A. Nalen announced that the agency's programs will soon be available to U.S. investors considering projects in that country. The announcement came soon after the successful conclusion of negotiations between the United States and Uruguay over the terms of an investment guaranty agreement. The agreement has been under active discussion for more than nine months, and when signed, will authorize OPIC to operate its insurance and finance programs in Uruguay for the first time.

Newly appointed Uruguayan Ambassador Alejandro Vegh and the country's director general for foreign trade, Dr. Jorge Sienra, also visited OPIC in an effort to emphasize Uruguay's U.S. interest in attracting U.S. private investment. Mr. Nalen assured the Ambassador of OPIC's interest in doing business in Uruguay, given the opportunities which have emerged there in recent years and the attractive nature of the investment climate.

OPIC is required by law to have an investment guaranty agreement in place before it can encourage investment in a given country. To date, it has negotiated more than 100 such agreements with states in the developing world.

Talks with Uruguay regarding the agreement began last November, with a round of high-level meetings in Montevideo. At the time, the two sides reached an understanding on virtually all aspects of the document except the dispute resolution provisions. Further sessions were held last December, leading to the preparation of a draft agreement which was circulated for comment within the two governments. Polishing of the document and additional consultations with the State Department



Negotiators of the Uruguay agreement, were (standing, left to right): Attilio Gil, Foreign Ministry; Dr. Alem Garcia, Foreign Trade Bureau; Dr. Gustavo Vanerio, Foreign Ministry; Dr. Tomas Brause, Central Bank; Diana Montgomery, U.S. State Department; James Cheatham, U.S. Embassy. Seated are: Dr. Jorge Sienra, Director, Foreign Commerce; and Lorin S. Weisenfeld, Assistant General Counsel, OPIC.

delayed completion of negotiations until this past August.

The agreement is presently being reviewed by the Uruguayan cabinet. It is anticipated that it will be signed at a formal ceremony in Montevideo before the end of the year.

The agreement is similar in content to the other investment guaranty agreements which OPIC has negotiated around the world. It authorizes OPIC to commence operations in Uruguay and provides orderly mecha-

nisms for settling investment disputes which might arise.

Uruguay was represented during the three rounds of negotiations in Montevideo by a five-man inter-ministerial commission of lawyers. The Uruguayan delegation was chaired by Dr. Jorge Sienra, director general of foreign trade. The U.S. delegation was led by Lorin S. Weisenfeld, OPIC assistant general counsel, and included State Department and Embassy personnel.

LOAN FOR COSTA RICA PROJECT



Alexander S. Ritter (center), President of FWH, Inc., a Florida corporation, signs a \$3 million loan agreement for reinvestment in the company's Costa Rica subsidiary, Matas de Costa Rica. Funds will be used for expansion of cultivation area for tropical plants to supply European and other markets. L. Ebersole Gaines (left), Executive Vice President, signs for OPIC as OPIC attorney Charles F. Lipman looks on.

PERFORMANCE REQUIREMENTS

The imposition of "performance requirements," or laws requiring foreign enterprises to comply with certain special rules as a condition to investment, are not new in the international marketplace. But recent years have seen an increasing tendency on the part of developing nations to introduce new regulations which may impede the investment process. Typically, these requirements may call for the investor to hire a fixed percentage of local workers or to export a set percentage of production annually, and, according to OPIC Vice President and General Counsel S. Linn Williams, "performance requirements are getting much more imaginative, and the longer they continue, the harder they are to dismantle."

Speaking before the Washington Foreign Law Society, Mr. Williams noted that a World Bank study shows that the worldwide effect of these requirements can distort trade and hurt the host country by discouraging potential foreign investors.

The most significant performance requirements, according to Williams, are requirements that can distort trade as well as investment. These trade-related performance requirements include stipulations as to local procurement, minimum export requirements and maximum import requirements. He also noted such investment-related constraints as minimum capital requirements, restrictions on the location of proposed foreign enterprises, limitations on ownership, established quotas for the hiring of local employees, and ceilings on profit repatriation.

OPIC's General Counsel also told the group that multinational agencies dealing with developing countries (such as the International Finance Corporation and the International Monetary Fund) could take the lead in curbing the spread of performance requirements by administrative



S. Linn Williams, Vice President and General Counsel (left), studies material on performance requirements with Deputy General Counsel Anthony Marra.

means, but he added that performance requirements have become so pervasive and complicated they cannot realistically be addressed only in piecemeal fashion except in special cases.

He pointed out that the Administration is trying to cope with this problem by proposing that GATT (General Agreement for Tariffs and Trade) undertake a comprehensive study of the types and effects of per-

formance requirements as a basis for negotiating a more equitable system. "While not every country with performance requirements would fall under GATT, the study as proposed would cover them, and it is hoped the procedure adopted would eventually include all nations," he said.

The Administration also looks to the possible use of bilateral agreements to cover performance require-

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Roberts Heads Finance

Daniel Roberts has been named Vice President for Finance, succeeding Jean Crouzet who has returned to the private sector.

Before joining OPIC, Mr. Roberts was a vice president of the American Express International Banking Corporation, and served both in this country and abroad. Most recently, from 1979 to 1981 he was based in Hong Kong with administrative responsibility for operation in a number of countries in the Far East and Oceania, and prior to that was headquartered in Bombay as vice president and country manager for India. From 1976 to 1977 he was stationed in New York and was responsible for correspondent banking in 19 Far Eastern countries.

As a vice president of the Morgan Guaranty Trust Company from 1969



to 1975, Mr. Roberts administered a variety of programs in Europe and the Far East. From 1959 to 1969, he was an officer of Citibank with supervisory responsibilities for Southeast Asia.

Mr. Roberts is a graduate of Harvard University and holds a MBA, Finance and International from the Harvard School of Business.

India Seeks U.S. Investors

The recent Washington visit of Prime Minister Indira Gandhi highlighted significant revisions of the laws governing foreign investment made by the Government of India. In a series of meetings with President Reagan, Cabinet members and other U.S. Government officials, Mrs. Gandhi stressed her country's interest in attracting a greater volume of private investment, and in response to this, OPIC President Craig A. Nalen has announced plans for an OPIC investment mission to India, March 2 to 12, 1983.

In a special publication published by U.S.-India Enterprises, Mr. Nalen wrote:

"Since the close of World War II, the United States has implemented a variety of programs designed to accelerate social and economic progress in the developing nations. Generally speaking, foreign assistance efforts have fallen into two major categories: one, government-to-government or concessional aid; and two, the encouragement of private U.S. investment in Third World markets.

"Over the past few years, however, worldwide inflation, rising energy costs and the growing burden of external debt have hampered growth and weakened the economies of many developing nations. At the same time, the industrialized nations faced problems of their own as collective annual growth rates dropped to less than two percent in 1981 and world trade suffered a similar decline.

"Because of this troubled economic situation there has been a steady decline in the levels of concessional aid at a time when the needs of developing countries are on the increase. This has created a 'development gap,' and more and more developing nations are seeking increased foreign investment to build stronger private sectors. And since the developing

countries are the world's fastest-growing markets, investors in the United States and other industrialized nations are looking for joint venture possibilities which will produce mutual benefit in the form of jobs, profits and new growth potential.

"As one of the world's most promising markets, India has long been an area of special interest, although the rate of investment has slowed in recent years because of certain problems. At base, these problems, in the U.S. at least, have centered around the perception that India is a difficult place to do business. Essentially, there have been two areas of primary concern: one is the perception that government regulations are ponderous and complex; the other is that

India with outstanding insurance contracts of approximately \$177 million covering 55 projects. In addition, 18 potential projects involving \$50 million in new investment in the insurance and finance areas are currently under review. The general experience of OPIC-assisted investors in India has been one of solid growth. A 1980 survey of four manufacturing projects in India showed sales growth of nearly 170 percent over the investors' original projections made at the time of the initial investment. This kind of success is bound to impress others considering future commitments in the country.

"President Reagan has stated that 'nearly all the countries that have succeeded in their development over



Corning Glass Works in India produces tubing, vials, ampules and other containers for hospitals, laboratories and research centers.

there is low profitability in doing business in India.

"Justified or not, these perceptions gave rise to some negative thinking on the part of the U.S. business community, but recent action taken by the Indian Government to simplify administrative procedures, liberalize industrial licensing requirements for export-oriented firms and for projects in free-trade zones and other positive steps have done a good deal to create a more attractive investment climate. This new approach, combined with India's long-recognized potential bodes well for the future.

"OPIC is presently quite active in

the past thirty years have done so on the strength of market-oriented policies and vigorous participation in the international economy. Those countries which have achieved the most spectacular economic progress in the shortest period of time all share a common characteristic; they all have a willingness to believe in the magic of the marketplace."

"In light of the new directions charted by the Indian Government, U.S. private investors can look ahead to new and promising potential, and OPIC intends to play a vital role in increasing the flow of private investment to India."

"Overview" Seminar Draws Business Executives

More than 100 corporate executives assembled in Washington for a special orientation seminar on trade and foreign investment in late September. The meeting, "An Overview from Washington," preceded the agency's annual diplomatic reception at the State Department.

Inaugurated in 1980, the series provides private sector executives with the opportunity to update their knowledge of OPIC activities and those of other agencies whose programs relate to U.S. foreign economic policy. Following the business meeting, the businessmen attended the reception where they met with diplomatic representatives of more than 40 nations and U.S. Government officials from participating agencies.

The keynote speaker at the "Overview" meeting was Malcolm Baldrige, Secretary of Commerce, who highlighted the challenges facing the U.S. in the international marketplace and urged the audience to grasp the growing opportunity in the developing world as a means for strengthening the domestic economy.

Other speakers included: Thomas O. Enders, Assistant Secretary of State for Inter-American Affairs; Mark E. Leland, Assistant Secretary of the Treasury for International Affairs; Frank C. Carlucci, Deputy Secretary, U.S. Department of Defense; Charles Lord, First Vice-President and Vice-Chairman, Export-Import Bank of the United States; David R. MacDonald, Deputy U.S. Trade Representative; and M. Peter McPherson, Administrator of AID and OPIC Board Chairman. Mr. Leland and Mr. MacDonald also serve as members of the OPIC Board.

Chairman for the meeting was OPIC President Craig A. Nalen who reviewed the agency's operations for fiscal 1982 and outlined its strategies



Malcolm Baldrige

for increasing support for the U.S. business community in the years ahead. William A. Delphos, Vice President for Operations, detailed the new and expanded special programs designed to implement the new mar-

keting strategy.

Mr. Nalen noted that OPIC had achieved record insurance volume during the year despite the economic difficulties facing both the industrialized and developing nations. "We are optimistic," he said, "that this positive surge in the face of so many impediments indicates the start of a new era of growth in the international marketplace and the U.S. business community's decision to regain its competitive edge. Certainly this will be a critical factor in accelerating economic and social progress in the developing nations, but just as important will be the cultivation of new markets for our goods and services, the generation of more U.S. exports, and the creation of new job opportunities at home."

MISSION SCHEDULE

Continuing its efforts to familiarize U.S. business executives in the investment opportunities in developing countries, OPIC has planned an accelerated schedule of Investment Mission for the coming months.

The schedule is as follows:

December 5-10, 1982

Haiti. A return visit co-sponsored by OPIC and AID/PRE following up the highly successful mission of December 1981. Opportunities to be emphasized in the 1982 mission will include agriculture and food processing; light manufacturing; construction materials/industrial equipment; and tourism.

January 23-29, 1983

Jamaica. A return visit to Jamaica, also co-sponsored by OPIC and PRE. Investment potential emphasized will be agriculture; and light manufacturing possibilities.

March 4-12, 1983

India. Plans for this mission were drawn up as an early response to India's new policies creating a more favorable climate for foreign investors. Business possibilities to be explored include: telecommunications; petroleum-related industries; inland transportation systems; agribusiness; medical services and supplies; automobile component production; and industrial machinery manufacture.

Current planning for 1983 also calls for an investment mission to Indonesia. Details on schedules and cost will be announced when plans are finalized.

OPIC and AID Sponsor Mission To Six Caribbean Nations

A delegation of some 20 U.S. business executives visited six Eastern Caribbean countries November 5-13, 1982, to assess potential opportunities for U.S. private investment. The six countries are: Antigua, Barbados, Dominica, St. Kitts-Nevis, St. Lucia, and St. Vincent.

The investment mission was co-sponsored by OPIC and the Bureau for Private Enterprise (PRE) of the U.S. Agency for International Development. PRE promotes development by providing finance services to private sector businesses with substantial private host country equity participation in selected developing countries.

Organized as part of an ongoing program to implement President Rea-

gan's Caribbean Basin Initiative, the November investment mission will extend the scope of OPIC's targeted effort to encourage private investment in the Caribbean area. The program, started in 1981 with investment missions to Jamaica and Haiti, resulted in the identification of more than 30 projects, many of which are now in the startup phase of operation.

The Eastern Caribbean mission was organized in conjunction with the Departments of State and Commerce, U.S. embassies, and key government officials in the six countries. During the visit, the prospective investors also had the opportunity to discuss specific project opportunities with potential joint venture partners, and to assemble detailed information host

country regulations and incentives.

OPIC President Craig A. Nalen said that in fiscal 1981, OPIC insured or financed 30 projects in Caribbean countries. "With strong support from the Administration, we are increasing our efforts in this area. There are many opportunities for profitable investment that will accelerate the pace of host country development, and the Eastern Caribbean offers special potential to smaller businesses."

Companies interested in the Eastern Caribbean area may obtain detailed information from Donna Brodsky, OPIC, 1129 20th Street, N.W., Washington, D.C. 20527. Telephone: (202) 653-2800.

CARIBBEAN TELEMISION

On October 28, OPIC, in conjunction with the Bureau for Private Enterprise of the Agency for International Development, mounted its second "Telemision," to familiarize a broad segment of the U.S. business community with the investment potential of the nations of the Caribbean.

Moderated in Washington by NBC's Bill Monroe, host of "Meet the Press," and in Miami by Paul Kangas, the two-way satellite broadcast linked business executives in Washington, D.C., Miami, New York, Boston, Chicago, Minneapolis, Omaha and San Juan, P.R., with a panel of Caribbean experts assembled in Miami to answer questions about the investment climate of various countries in the area.

The program, which drew upwards of 1,000 participants in the down-link cities, was part of a concentrated effort to stimulate investor interest in response to the President's Caribbean Basin initiative. To supplement the impact of "Telemision," OPIC and

AID have implemented the Caribbean Investment Opportunities Program which provides detailed information on incentive programs, as well as specific information on facilities and services available in these nations. As a basic tool for the potential investor, CIOP offers a "starter kit" which may be obtained for \$25.00 from Gordon Hunt, 1129 20th Street, N.W., Washington, D.C. 20527.

Further emphasis is being focused

on the area through three investment missions, one to the Eastern Caribbean, and follow-up visits to Haiti and Jamaica.

Both OPIC and AID have been active in the Caribbean for years but efforts have accelerated recently. In 1981, OPIC issued more than \$300 million in insurance and \$55 million in financing for 30 projects, and AID's assistance program in 1981 exceeded \$180 million.



OPIC Executive Vice President L. Ebersole Gaines, Moderator Bill Monroe and Elise R. W. duPont at Caribbean Telemision headquarters in Washington.

Five China Projects Set

OPIC has issued insurance coverage for five investments in China and some 30 additional registrations are currently under review, OPIC President Craig A. Nalen said in an interview with the Bureau of National Affairs (BNA) following his trip to Asia in July.

Among the 30 registration projects under review by OPIC are a number of applications for offshore oil and gas exploration.

The contracts were issued to: Caterpillar Tractor Co. for a consigned inventory of earth-moving machine parts and engines to be stored and sold in China; AMF Inc. for the production of sports equipment; American President Lines which is leasing some of its machinery for handling containerized shipping equipment to China; Dresser Industries for conductor wire live services for petroleum exploration; and C. W. Communications for production of a newspaper covering developments in the computer industry in China and other countries.

Joint ventures in China have some unique aspects, Nalen noted, and OPIC has adopted some special guidelines to meet new situations. "For example, the partner in China in almost every case is the Chinese government. That's why it took us a while to write a modus operandi on ways to underwrite insurance for some of these projects," he added. Generally OPIC supports projects involving private sector partners.

Mr. Nalen said that at this time it seems unlikely that OPIC will be able to offer its inconvertibility coverage for projects in China. According to a guideline paper, prepared by a team of OPIC officers, the Agency does not plan to offer its usual inconvertibility insurance because it appears that at this time there is no automatic right to convert local currency to foreign currency.

"However, there are foreign exchange certificates which appear to be units of foreign exchange. Should the Chinese government confirm the right of the investor to convert those certificates, OPIC is prepared to consider covering that exchange risk under certain conditions."

In mid-December, OPIC and other Government agencies concerned with foreign economic policy will participate in a three-day conference sponsored by the U.S.-China Joint Economic Commission. The meeting, co-chaired by Finance Minister Wang of the People's Republic of China, and Donald T. Regan, Secretary of the Treasury, will focus on discussion of bilateral problems involved in foreign trade and investment.

Generally speaking, Mr. Nalen found the Chinese most interested in investments relating to heavy equipment, food production and processing or agriculture and machine tools. They also place a high priority on infrastructure projects such as rail and highway transportation.

He said that the Chinese government is quite concerned that there was not more interest among U.S. companies in doing business in China.

"They wanted to know why it was that there was considerably more interest in other parts of the world and why they weren't knocking down the door in China. And through exchanges it was possible to discuss what other countries are doing to attract foreign investment. It is a question of reducing red tape, of reducing requirements and creating an environment that is very hospitable to foreign investment."

Nalen is optimistic that the Chinese government with OPIC's help can overcome U.S. business perceptions about red tape and that the investment process in China is slow-going.

"I found a real warmth which was very encouraging for the future of U.S. business there," he said. "Basically, our philosophies and our concepts of business are very compatible, and I look to the future with considerable optimism."

WITHERSPOON GRANT/LOAN



Partial disbursement papers for \$325,000 loan/grant to the Witherspoon Development Corporation of New York is signed by Craig A. Nalen, OPIC President. Looking on are David Liston, Witherspoon Vice President and Secretary Treasurer (left), and Milton Page, President. Witherspoon will use the grant to defray operating expenses and the loan for relending to small business entrepreneurs in the Caribbean area.

Performance Requirements

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ments in a manner acceptable to both parties. The prototype bilateral investment treaty includes restrictions against such requirements, but it is too early to tell how well this will work.

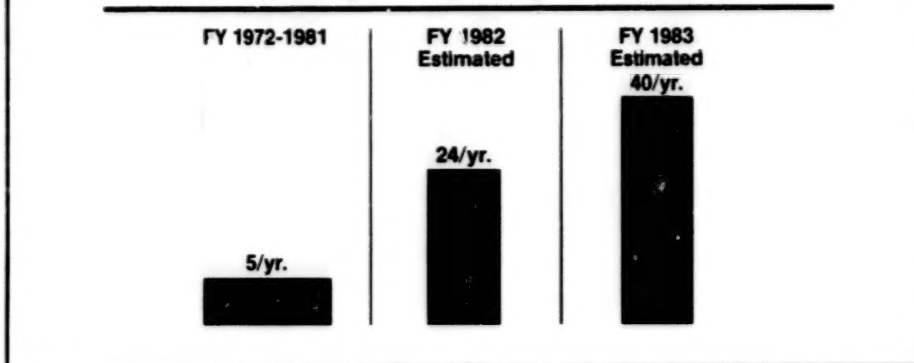
Williams noted that OPIC is the only federal agency directed by statute to refuse to assist any investment subject to trade-related performance requirements if they substantially reduce trade benefits likely to accrue to the U.S. OPIC evaluates proposed enterprises on a case-by-case basis, and must withhold support for a project when performance requirements will have substantial negative effects on likely U.S. trade.

Denial of OPIC's support could be based on a number of factors such as:

- requirement that production from the foreign investment be exported to the U.S.;
- displacement of U.S. exports to third country markets;
- displacement of U.S. exports to a foreign investment because of requirements for use of local materials or products.

OPIC requires U.S. companies that apply to OPIC for assistance to report any trade-related performance requirements affecting their proposed project. This supplements OPIC's own study of host government policies which could inhibit successful commercial investment and operation. A preliminary study conducted by OPIC during the past six months shows that, although trade-related performance requirements are used (more extensively in South and Southeast Asia), none of those requirements would have substantially adversely affected the trade benefits arising out of the projects sponsored by OPIC over the course of the study. OPIC will continue to monitor these effects on a regular basis.

Feasibility Study Program Results



Feasibility Program

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dropped to an annual rate of five a year with resultant investment amounting to only \$3.5 million.

Fiscal 1982, however, brought on a dramatic change, and while total figures for the year are not yet complete, estimates indicate that 24 projects involving \$25 million in new investment will be processed. For 1983, a goal of 40 projects and \$70 million in investment has been established.

"In order to qualify for feasibility study assistance, the investor must have a specific project and country in mind," Bostwick says. "The project should involve a commercially viable product, process or application, and prospective investors should have the relevant business and technical back-

ground needed for successful operation. They also must demonstrate the financial capability to invest should the project be feasible."

Bostwick also pointed out that surveys must be conducted by decision-making executives representing the potential investor, although in some cases recognized experts may be used on a consulting basis.

"Obviously, we receive applications that do not meet the criteria," Bostwick says, "but we hope to increase our percentage of conversions by simplifying procedures and creating a broader understanding of the program."

Information on application procedure can be obtained from Mr. Bostwick or Jeffrey Shafer at (202) 653-2881.

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Inquiries or requests for additional information should be directed to the Office of Public Affairs, Overseas Private Investment Corporation, 1129 20th Street, N.W., Washington, D.C. 20527. Telephone: (202) 653-2800.

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